

Independent Auditor's Report



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TO THE SHAREHOLDERS OF HARMONY ASSET LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the accompanying consolidated financial statements of Harmony Asset Limited (the “Company”) and its subsidiaries (together the “Group”) which comprise the statement of financial position of the Company and of the Group as at 31st December, 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.



Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31st December, 2009 and of the Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



BDO Limited

Certified Public Accountants

Wong Chi Wai

Practising Certificate Number P04945

Hong Kong, 29th March, 2010

Consolidated Statement of Comprehensive Income

for the year ended 31st December

	Note	2009 HK\$	2008 HK\$
Turnover	5	6,089,942	12,916,300
Other revenue	5	273,134	599,451
Other gains and (losses)	5	112,590,404	(88,338,143)
		118,953,480	(74,822,392)
Employee benefits expenses		(2,842,510)	(5,570,840)
Depreciation of property, plant and equipment		(115,724)	(129,027)
Other operating expenses		(16,487,382)	(13,139,975)
Profit (loss) before income tax	6	99,507,864	(93,662,234)
Income tax (expenses) credit	7	(14,552,901)	5,071,720
Profit (loss) for the year attributable to owners of the Company	9	84,954,963	(88,590,514)
Other comprehensive income:			
Gains (losses) on fair value changes on available-for-sale financial assets		12,891,490	(15,026,387)
Transfer to profit or loss upon disposal of available-for-sale financial assets		(222,002)	–
Impairment loss on available-for-sale financial assets recognised in profit or loss		–	5,399,014
Other comprehensive income for the year		12,669,488	(9,627,373)
Total comprehensive income for the year attributable to owners of the Company		97,624,451	(98,217,887)
Earnings (loss) per share	11		
Basic		HK\$2.18	(HK\$2.27)
Diluted		HK\$2.17	(HK\$2.27)

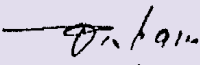
Details of dividend paid to equity holders of the Company attributable to the profit for the year are set out in note 10.

Consolidated Statement of Financial Position

As at 31st December

	Note	2009 HK\$	2008 HK\$
Non-current assets			
Property, plant and equipment	12	1,465,162	136,886
Interests in associates	14	–	–
Available-for-sale financial assets	15	110,854,493	68,058,932
Loans and receivables	16	6,314,135	20,077,507
		118,633,790	88,273,325
Current assets			
Accounts receivable and prepayments	17	17,810,465	19,383,342
Trading securities	18	44,930,302	72,896,629
Derivative financial instruments	19	21,322,735	–
Bank balances and cash		98,065,356	10,252,785
		182,128,858	102,532,756
Current liabilities			
Accounts payable and accruals	20	1,249,956	1,786,655
Amount due to a related company	26(c)	6,028,948	–
Tax payable		13,569,202	2,825,920
		20,848,106	4,612,575
Net current assets		161,280,752	97,920,181
Total assets less current liabilities		279,914,542	186,193,506
Non-current liabilities			
Deferred tax liabilities	21	2,413,948	2,651,742
Net assets		277,500,594	183,541,764
Capital and reserves			
Share capital	22	39,058,615	39,002,615
Reserves	23	238,441,979	144,539,149
Total equity		277,500,594	183,541,764
Net asset value per share	24	HK\$7.10	HK\$4.71

Approved and authorised for issue by the Board of Directors on 29th March, 2010


LAM Andy Siu Wing
Director

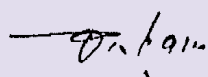

CHOW Pok Yu Augustine
Director

Statement of Financial Position

As at 31st December

	Note	2009 HK\$	2008 HK\$
Non-current assets			
Property, plant and equipment	12	1,465,162	136,886
Interests in subsidiaries	13	19,074,817	68,903,191
Available-for-sale financial assets	15	48,165,351	10,780,000
		68,705,330	79,820,077
Current assets			
Accounts receivable and prepayments	17	17,792,408	4,676,520
Trading securities	18	40,983,079	39,425,712
Derivative financial instruments	19	21,322,735	–
Bank balances and cash		97,806,340	9,726,224
		177,904,562	53,828,456
Current liabilities			
Accounts payable and accruals	20	995,321	946,051
Amount due to a related company	26(c)	6,028,948	–
Tax payable		9,487,014	–
		16,511,283	946,051
Net current assets		161,393,279	52,882,405
Total assets less current liabilities		230,098,609	132,702,482
Non-current liabilities			
Deferred tax liabilities	21	2,413,948	–
Net assets		227,684,661	132,702,482
Capital and reserves			
Share capital	22	39,058,615	39,002,615
Reserves	23	188,626,046	93,699,867
Total equity		227,684,661	132,702,482

Approved and authorised for issue by the Board of Directors on 29th March, 2010



LAM Andy Siu Wing
Director



Chow Pok Yu Augustine
Director

Consolidated Statement of Changes in Equity

for the years ended 31st December, 2009 and 2008

	Share capital HK\$	Share premium HK\$	Fair value reserve HK\$	Share option reserve HK\$	Proposed dividend HK\$	(Accumulated losses) retained profits HK\$	Total HK\$
At 1st January, 2009	39,002,615	170,354,945	5,641,393	1,350,000	–	(32,807,189)	183,541,764
Total comprehensive income for the year	–	–	12,669,488	–	–	84,954,963	97,624,451
Issue of shares upon exercise of share options	56,000	225,103	–	(40,863)	–	–	240,240
Transfer to retained profits upon lapse of share options	–	–	–	(274,981)	–	274,981	–
Interim dividend paid (<i>Note 10</i>)	–	(3,905,861)	–	–	–	–	(3,905,861)
Proposed dividend (<i>Note 10</i>)	–	(3,905,861)	–	–	3,905,861	–	–
At 31st December, 2009	39,058,615	162,768,326	18,310,881	1,034,156	3,905,861	52,422,755	277,500,594
At 1st January, 2008	39,002,615	170,354,945	15,268,766	1,007,000	6,630,444	55,783,325	288,047,095
Total comprehensive income for the year	–	–	(9,627,373)	–	–	(88,590,514)	(98,217,887)
Share option scheme –							
– value of employee services	–	–	–	313,040	–	–	313,040
– value of corporate development advisor services	–	–	–	29,960	–	–	29,960
Dividend paid	–	–	–	–	(6,630,444)	–	(6,630,444)
At 31st December, 2008	39,002,615	170,354,945	5,641,393	1,350,000	–	(32,807,189)	183,541,764

Consolidated Statement of Cash Flows

for the year ended 31st December

	Note	2009 HK\$	2008 HK\$
Operating activities			
Cash generated from operations	25	123,372,669	6,473,116
Income tax (paid) refund		(4,047,413)	500,451
Net cash from operating activities		119,325,256	6,973,567
Investing activities			
Interest received		225,033	1,878,039
Dividend received from available-for-sale financial assets		4,636,000	3,400,000
Advances to investee companies		(3,120,000)	(1,472,000)
Repayments from investee companies		2,207,900	2,641,700
Purchase of property, plant and equipment		(1,444,000)	(52,133)
Purchase of available-for-sale financial assets		(31,504,073)	(18,256,891)
Proceeds from disposal of property, plant and equipment		10,000	–
Proceeds from disposal of an associate		100,000	–
Proceeds from disposal of available-for-sale financial assets		1,000,002	–
Net cash used in investing activities		(27,889,138)	(11,861,285)
Financing activities			
Dividend paid		(3,863,787)	(6,557,681)
Proceeds from issue of shares		240,240	–
Net cash used in financing activities		(3,623,547)	(6,557,681)
Net increase (decrease) in cash and cash equivalents		87,812,571	(11,445,399)
Cash and cash equivalents at 1st January		10,252,785	21,698,184
Cash and cash equivalents at 31st December		98,065,356	10,252,785
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		98,065,356	10,252,785

Notes to the Financial Statements

for the year ended 31st December, 2009

1. GENERAL

Harmony Asset Limited is incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Room 1101, St. George's Building, 2 Ice House Street, Central, Hong Kong. Its shares are dual listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Toronto Stock Exchange (the "TSX").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 13.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

- (a) The Group has adopted the following new or revised IFRSs issued by the International Accounting Standards Board ("IASB") that are effective for the current accounting period.

IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 90 of IAS 39
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 and IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC – Interpretation 9 and IAS 39 (Amendments)	Embedded derivatives
IFRIC – Interpretation 13	Customer Loyalty Programs
IFRIC – Interpretation 15	Agreements for the Construction of Real Estate
IFRIC – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IFRIC – Interpretation 18	Transfer of Assets from Customers

Notes to the Financial Statements

for the year ended 31st December, 2009

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

(a) (continued)

IAS 1 (Revised) “Presentation of Financial Statements”

The revised standard has introduced a number of terminology changes (including revised titles for financial statements) and has resulted in a number of changes in presentation and disclosure. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the “Statement of Comprehensive Income”, the “Statement of Financial Position” and the “Statement of Cash Flows” respectively. However, the revised standard had no material effect on the reported results and financial position of the Group.

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard also introduces the statement of comprehensive income, with all items of income and expenses recognised in profit or loss, together with other items of recognised income or expenses recognised in other comprehensive income, presented either in one single statement, or in two linked statements. The Group has elected to present one statement.

IFRS 8 “Operating Segments”

IFRS 8 replaces IAS 14 “Segment Reporting”, and requires operating segments to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of IAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by IFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of IFRS 8.

IFRS 7 (Amendments) “Improving Disclosures about Financial Instruments”

The amendments to IFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. In particular, a three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

Notes to the Financial Statements

for the year ended 31st December, 2009

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

(a) (continued)

Except for the adoption of the amendments to IFRS 7, comparative information have been restated or presented for the first time in order to achieve a consistent presentation. The adoption of other new or revised IFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods and no prior period adjustment has been recognised.

(b) The following new or revised IFRSs, potentially relevant to the Group’s operations, have been issued but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs ¹
IFRSs (Amendments)	Improvements to IFRSs 2009 ²
Amendments to IAS 32	Classification of Rights Issues ⁴
Amendments to IFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions ³
IAS 24 (Revised)	Related Party Disclosures ⁶
IAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
IFRS 3 (Revised)	Business Combinations ¹
IFRS 9	Financial Instruments ⁷
IFRIC – Interpretation 17	Distributions of Non-cash Assets to Owners ¹
IFRIC – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.

³ Effective for annual periods beginning on or after 1st January, 2010

⁴ Effective for annual periods beginning on or after 1st February, 2010

⁵ Effective for annual periods beginning on or after 1st July, 2010

⁶ Effective for annual periods beginning on or after 1st January, 2011

⁷ Effective for annual periods beginning on or after 1st January, 2013

The Group is in the process of making an assessment of the potential impact of other new or revised IFRSs and the directors so far concluded that the application of these new or revised IFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Financial Statements

for the year ended 31st December, 2009

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except that, as disclosed in the accounting policies below, available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value. A summary of the significant accounting policies adopted by the Group is set out in note 4.

(c) Use of estimates and judgements

In the application of the Group’s accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 29.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.



Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31st December each year.

The financial statements of subsidiaries are included into the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions and balances, and any unrealised profit arising from intra-group transactions, are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(b) Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses as set out in note 4(f) below. The results of subsidiaries are accounted for by the Company to the extent of dividends received and receivable.

(c) Associates

An associate is an entity, in which the Group or the Company has significant influence, but not control or joint control over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated statement of comprehensive income includes the Group's share of the post acquisition, post-tax results of the associate for the year, including any impairment loss relating to the investment in the associate recognised for the year.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associates (continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is stated at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss, after re-assessment.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Goodwill (continued)

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of a cash-generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses as stated in note 4(f) below. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are normally expensed in profit or loss in the period in which they are incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, over their estimated useful lives using the straight-line method. The annual rate used is 20%.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. The useful life of an asset, its residual value, and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group assesses whether there is any indication that property, plant and equipment, investments in subsidiaries and associates have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the fair value less costs to sell and value in use of an asset. The fair value less costs to sell is the amount that could be obtained from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less the costs of disposal, while value in use is the present value of the future cash flows expected to be derived from an asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which is restricted to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(g) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the three categories, comprising financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent financial assets held for trading if:

- they have been acquired principally for the purpose of selling in the near future; or
- they are part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- they are derivative that are not designated and effective as a hedging instruments.

Derivatives embedded in non-derivative host contracts are separated from the relevant hosts and deemed as held-for-trading when the economic characteristic and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss or loans and receivables. The Group designates certain listed and unlisted investments and debt host element of convertible bonds as available-for-sale financial assets. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in fair value reserve within equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is reclassified from equity and recognised in profit or loss.

The fair value of listed available-for-sale investments is based on their quoted market prices at the end of reporting period, without any deduction for estimated future selling costs.

For available-for-sale equity investments which are not traded in an active market, fair value is estimated based upon an analysis of the respective investee's financial position and results, risk profile, nature of business, prospects, other factors and assumptions not supported by observable market data as well as reference to market valuations for similar entities quoted in an active market, current fair value of comparable investments or applicable price/earning ratios for comparable listed companies adjusted to reflect the circumstances of the investee.

When the fair value of unlisted available-for-sale equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, they are measured at cost less any identified impairment losses.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

Impairment loss on financial assets

Objective evidence that the asset is impaired includes observable data that comes to the attention of the Group includes the following loss events:

- significant financial difficulty of the debtor or counterparty; or
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- granting concession to a debtor because of the debtors' financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- a significant decline or prolonged decline in the fair value of an investment below its cost.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

Impairment loss on financial assets (continued)

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is reclassified from equity and recognised in profit or loss.

Any impairment losses recognised in profit or loss on available-for-sale debt investments, are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities.

Financial liabilities

The Group's financial liabilities include accounts payable, accruals and amount due to a related company which are subsequently measured at amortised cost, using the effective interest method.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to reacquire the Company's own equity instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of the Company's own equity instruments.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowings for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Income taxes

Income taxes for the year comprise current tax and movements in deferred tax assets and liabilities. Income taxes are recognised in profit or loss except to the extent that they relate to items recognised directly in other comprehensive income, in which case they are recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income taxes (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria is adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income taxes (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Translation of foreign currencies

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). Foreign currency transactions during the year are translated into functional currency at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into functional currency using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into functional currency using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into presentation currency at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in statement of financial position are translated into presentation currency at the foreign exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relates to that foreign operation is included in the calculation of the profit or loss on disposal.

(j) Provisions and contingent liabilities

A provision is recognised when the Group or the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the possibility of an outflow of economic benefits is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

Income from provision of other services are recognised when the related services are rendered.

Dividend income is recognised when the shareholder's right to receive payment is established.

(l) Operating leases

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(m) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plan*

Salaries, annual leave and other benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group has only one defined contribution plan and the assets of which are held in separate trustee – administered funds. The Group's contributions to the defined contribution retirement scheme for all of its eligible employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the retirement scheme in accordance with the rules of the retirement scheme.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits (continued)

(ii) *Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using generally accepted option pricing models by taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed, any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Where equity instruments are granted to persons other than employees for services rendered in connection with issue of equity instruments, the fair value of services received is charged to profit or loss with corresponding increase in share option reserve.

For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received. At the end of each reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31st December, 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with banks, and short-terms, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(p) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the statement of financial position. Final dividends are recognised as a liability when they are approved by the shareholders.

Notes to the Financial Statements

for the year ended 31st December, 2009

5. TURNOVER, OTHER REVENUE AND OTHER GAINS AND (LOSSES)

The Group principally invests in securities listed on recognised stock exchanges and unlisted securities, including equity securities and convertible bonds issued by corporate entities. Turnover, other revenue and other gains and losses recognised during the year are as follows:

	2009 HK\$	2008 HK\$
Turnover:		
Interest income from:		
– bank deposits	61,993	334,813
– loans receivable not impaired	1,032,807	2,313,826
– impaired loans receivable	220,010	1,743,089
Dividend income from:		
– listed investments	139,132	124,572
– unlisted investments	4,636,000	8,400,000
	6,089,942	12,916,300
Other revenue:		
Service fee income	273,134	599,451
Other gains and (losses):		
Fair value changes on financial assets at fair value through profit or loss:		
– trading securities	21,695,001	(44,044,129)
– derivative financial instruments	5,375,317	–
Net realised gain on disposal of trading securities	110,724,365	5,839,602
	137,794,683	(38,204,527)
Recovery of impairment loss on loans and receivables previously recognised	54,000	–
Recovery of impairment loss on accounts receivable	8,000,000	–
Impairment loss on accounts receivable	(18,807,483)	(4,703,792)
Impairment loss on loans and receivables	(14,729,472)	(38,219,864)
	(25,482,955)	(42,923,656)
Impairment loss on available-for-sale financial assets:		
– equity investments	–	(5,399,014)
– deposits on investments written off	(600,000)	(200,000)
Net realised gain on disposal of available-for-sale financial assets	222,002	–
	(377,998)	(5,599,014)
Exchange gain (loss), net	546,674	(1,610,946)
Gain on disposal of an associate	100,000	–
Gain on disposal of property, plant and equipment	10,000	–
	112,590,404	(88,338,143)

Notes to the Financial Statements

for the year ended 31st December, 2009

5. TURNOVER, OTHER REVENUE AND OTHER GAINS AND (LOSSES) (continued)

No analysis of the Group's turnover, other revenue and contribution to operating profit (loss) for the year set out by principal activities and geographical markets is provided as the Group has only one single business segment, investment holding, and less than 10% of the turnover and other revenue, results and assets of the Group are attributable to markets outside Hong Kong.

During the year, dividend income from one (2008: three) unlisted investment accounted for 74% (2008: 62%) of the Group's turnover.

6. PROFIT (LOSS) BEFORE INCOME TAX

Profit (loss) before income tax has been arrived at after charging the following:

	2009 HK\$	2008 HK\$
Auditor's remuneration		
– Current year	780,000	780,000
– Underprovision in prior year	–	63,000
	780,000	843,000
Management fees (Note 26(a))	3,473,236	4,175,591
Incentive fee (Note 26(a))	6,028,948	–
Pension costs – contributions to defined contribution plan*	84,537	76,812
Operating leases in respect of land and buildings	2,109,360	2,438,110
Equity-settled share-based payment expenses	–	343,000

* There was no forfeited contribution in respect of the defined contribution plan available at 31st December, 2009 to reduce future contributions (2008: nil). There was no outstanding contributions to the plan at 31st December, 2009 (2008: nil).

Notes to the Financial Statements

for the year ended 31st December, 2009

7. INCOME TAX EXPENSES (CREDIT)

- (a) Provision for Hong Kong Profits Tax has been made at 16.5% (2008:16.5%) of the Group's estimated assessable profits for the year.

	2009 HK\$	2008 HK\$
Current tax		
Hong Kong Profits Tax:		
Current year	15,599,334	2,825,920
Overprovision in prior year	(808,639)	(10,549,382)
	14,790,695	(7,723,462)
Deferred taxation (Note 21)		
Current year	(635,252)	(3,546,546)
Underprovision in prior year	397,458	6,198,288
	(237,794)	2,651,742
	14,552,901	(5,071,720)

Notes to the Financial Statements

for the year ended 31st December, 2009

7. INCOME TAX EXPENSES (CREDIT) (continued)

- (b) Reconciliation between income tax expenses (credit) and the Group's accounting profit (loss) at applicable tax rate is set out below:

	2009 HK\$	2008 HK\$
Profit (loss) before income tax	99,507,864	(93,662,234)
Notional tax on profit (loss) before income tax, calculated at Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	16,418,798	(15,454,269)
Tax effect of income not taxable for tax purpose	(2,620,504)	(1,575,678)
Tax effect of expenses not deductible for tax purpose	5,013,849	7,826,556
Utilisation of tax losses previously not recognised	(4,051,513)	(12,851)
Tax effect of tax losses not recognised	18,597	2,678,837
Tax effect of other temporary differences not recognised	93,323	5,847,794
Over provision in current tax in prior year	(808,639)	(10,549,382)
Underprovision of deferred tax in prior year	397,458	6,198,288
Others	91,532	(31,015)
Income tax expenses (credit)	14,552,901	(5,071,720)

Notes to the Financial Statements

for the year ended 31st December, 2009

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Details of directors' remuneration are as follows:

	2009					
	Salaries, allowances and benefits		Discretionary bonuses (Note iii)	Contributions to pension scheme	Total	
	Fees	in kind				
	HK\$	HK\$	HK\$	HK\$	HK\$	
	Executive directors:					
Lee Fong Lit David	-	-	-	-	-	
Chow Pok Yu Augustine	40,000	-	-	-	40,000	
Lam Andy Siu Wing, JP	-	555,100	64,050	25,620	644,770	
Chan Shuen Chuen Joseph	-	252,800	34,500	11,490	298,790	
Independent non-executive directors:						
Tong Kim Weng Kelly	40,000	-	-	-	40,000	
Ho Man Kai Anthony	40,000	-	-	-	40,000	
Wong Yun Kuen	40,000	-	-	-	40,000	
	160,000	807,900	98,550	37,110	1,103,560	
2008						
	Salaries, allowances and benefits		Discretionary bonuses (Note iii)	Contributions to pension scheme	Total	
	Fees	in kind				
	HK\$	HK\$	HK\$	HK\$	HK\$	
	Executive directors:					
	Lee Fong Lit David	-	-	-	-	-
Chow Pok Yu Augustine	35,000	-	-	-	35,000	
Lam Andy Siu Wing, JP	-	555,100	1,865,000	25,620	2,445,720	
Chan Shuen Chuen Joseph	-	336,820	-	12,450	349,270	
Independent non-executive directors:						
Tong Kim Weng Kelly	35,000	-	-	-	35,000	
Ho Man Kai Anthony	35,000	-	-	-	35,000	
Wong Yun Kuen	35,000	-	-	-	35,000	
	140,000	891,920	1,865,000	38,070	2,934,990	

Notes to the Financial Statements

for the year ended 31st December, 2009

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Details of directors' remuneration are as follows: (continued)

Note:

- (i) There was no arrangement under which a director waived or agreed to waive any remuneration during the year.
- (ii) In addition to the directors' remuneration disclosed above, Dr. Chow Pok Yu Augustine received emoluments from a related company, namely Harmony Asset Management Limited, which amounted to HK\$1,040,000 (2008: HK\$1,040,000), in respect of his services provided to the Company and its subsidiaries as mentioned in note 26(a).
- (iii) Discretionary bonuses are related to the performance of the Group and are determined by the Remuneration Committee.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2008: two) directors whose emoluments are disclosed in note 8(a) above. The emoluments payable to the remaining three (2008: three) individuals during the year are as follows:

	2009 HK\$	2008 HK\$
Basic salaries, other allowances and benefits in kind	958,800	1,038,700
Discretionary bonuses	199,750	660,300
Contributions to a pension scheme	47,940	47,940
Share-based payments	–	312,811
	1,206,490	2,059,751

Note: The emoluments of the three (2008: three) individuals with the highest emoluments are within the band from nil to HK\$1,000,000.

9. PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit (loss) for the year attributable to owners of the Company includes a profit of HK\$91,986,522 (2008: loss of HK\$86,424,636) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

for the year ended 31st December, 2009

10. DIVIDENDS

Dividends paid or payable to shareholders of the Company attributable to the year are as follows:

	2009 HK\$	2008 HK\$
Interim dividend paid – HK10 cents (2008: nil) per share	3,905,861	–
Proposed dividend – HK10 cents (2008: nil) per share (Note)	3,905,861	–
	7,811,722	–

Note:

The Board of Directors of the Company has recommended a dividend out of the share premium account of the Company of HK10 cents per share (2008: nil) in respect of the year ended 31st December, 2009, totalling not less than HK\$3,905,861 (2008: nil) which is subject to approval of shareholders at the forthcoming annual general meeting to be held on 27th May, 2010 and compliance with the Companies Law of the Cayman Islands.

The dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

Notes to the Financial Statements

for the year ended 31st December, 2009

11. EARNINGS (LOSS) PER SHARE

(a) Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the Group's profit attributable to ordinary equity holders of the Company amounting to HK\$84,954,963 (2008: loss of HK\$88,590,514) and on the weighted average of 39,024,093 (2008: 39,002,614) ordinary shares in issue during the year.

(b) Diluted earnings (loss) per share

The calculation of diluted earnings per share for the year is based on the Group's profit attributable to ordinary equity holders of the Company amounting to HK\$84,954,963 and the weighted average number of ordinary shares of 39,063,878 calculated as follows:

	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share	39,024,093
Effect of deemed issue of shares under the Company's share option scheme	39,785
Weighted average number of ordinary shares for the purpose of diluted earnings per share	39,063,878

Diluted loss per share for the year ended 31st December, 2008 is the same as the basic loss per share as the effect of the assumed conversion of the outstanding share options is anti-dilutive.

Notes to the Financial Statements

for the year ended 31st December, 2009

12. PROPERTY, PLANT AND EQUIPMENT

	Group				Total HK\$
	Leasehold improvements HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Motor vehicle HK\$	
	Cost				
At 1st January, 2008	1,292,429	446,140	422,055	528,200	2,688,824
Additions	43,310	7,856	967	–	52,133
Written off	(418,133)	–	–	–	(418,133)
At 31st December, 2008	917,606	453,996	423,022	528,200	2,322,824
Addition	–	–	–	1,444,000	1,444,000
Disposal	–	–	–	(528,200)	(528,200)
At 31st December, 2009	917,606	453,996	423,022	1,444,000	3,238,624
Accumulated depreciation					
At 1st January, 2008	1,171,544	400,048	375,252	528,200	2,475,044
Provided for the year	86,643	17,385	24,999	–	129,027
Written back on written off	(418,133)	–	–	–	(418,133)
At 31st December, 2008	840,054	417,433	400,251	528,200	2,185,938
Provided for the year	40,753	14,400	12,438	48,133	115,724
Written back on disposal	–	–	–	(528,200)	(528,200)
At 31st December, 2009	880,807	431,833	412,689	48,133	1,773,462
Carrying amount					
At 31st December, 2009	36,799	22,163	10,333	1,395,867	1,465,162
At 31st December, 2008	77,552	36,563	22,771	–	136,886

Notes to the Financial Statements

for the year ended 31st December, 2009

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Company				Total HK\$
	Leasehold improvements HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Motor vehicle HK\$	
Cost					
At 1st January, 2008	874,296	412,735	422,055	528,200	2,237,286
Additions	43,310	7,856	967	–	52,133
At 31st December, 2008	917,606	420,591	423,022	528,200	2,289,419
Addition	–	–	–	1,444,000	1,444,000
Disposal	–	–	–	(528,200)	(528,200)
At 31st December, 2009	917,606	420,591	423,022	1,444,000	3,205,219
Accumulated depreciation					
At 1st January, 2008	753,411	366,643	375,252	528,200	2,023,506
Provided for the year	86,643	17,385	24,999	–	129,027
At 31st December, 2008	840,054	384,028	400,251	528,200	2,152,533
Provided for the year	40,753	14,400	12,438	48,133	115,724
Written back on disposal	–	–	–	(528,200)	(528,200)
At 31st December, 2009	880,807	398,428	412,689	48,133	1,740,057
Carrying amount					
At 31st December, 2009	36,799	22,163	10,333	1,395,867	1,465,162
At 31st December, 2008	77,552	36,563	22,771	–	136,886

Notes to the Financial Statements

for the year ended 31st December, 2009

13. INTERESTS IN SUBSIDIARIES

	2009 HK\$	2008 HK\$
Unlisted shares, at cost	16,718,596	16,718,596
Impairment loss on investments in subsidiaries	(16,718,580)	(16,718,580)
	16	16
Amounts due from subsidiaries (<i>Note a</i>)	81,950,331	143,997,743
Allowance for impairment loss on amounts due from subsidiaries	(62,875,530)	(75,094,568)
	19,074,801	68,903,175
	19,074,817	68,903,191

The below table reconciled the impairment loss on investments in subsidiaries and allowance for impairment loss on amounts due from subsidiaries for the year.

Impairment loss on investments in subsidiaries

	2009 HK\$	2008 HK\$
At 1st January and 31st December	16,718,580	16,718,580

Allowance for impairment loss on amounts due from subsidiaries

	2009 HK\$	2008 HK\$
At 1st January	75,094,568	37,374,728
Impairment loss recognised for the year	2,753,263	37,719,840
Reversal of impairment loss previously recognised	(14,972,301)	–
At 31st December	62,875,530	75,094,568

Notes to the Financial Statements

for the year ended 31st December, 2009

13. INTERESTS IN SUBSIDIARIES (continued)

Note:

(a) The amounts due from subsidiaries are unsecured, interest free and not expected to be realised within one year from the end of reporting period, except for the advances of HK\$37,078,124 made to a subsidiary as at 31st December, 2008 which were unsecured, interest-bearing at annual rates ranging from 6% to 12% and were not expected to be realised within one year from the end of reporting period.

(b) The following is a list of subsidiaries at 31st December, 2009:

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Plowright Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%*
Powercell Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Quickrise Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Wingo Venture Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
IT Star Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%*
Datacom Venture Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Gwynneth Gold Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Goal Vision Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
IT Technology Centre Limited	Hong Kong	Inactive	2 ordinary shares of HK\$1 each	100%
Techlink Venture Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%

* Shares held directly by the Company

None of the subsidiaries issued any debt securities at the end of reporting period.

Notes to the Financial Statements

for the year ended 31st December, 2009

14. INTERESTS IN ASSOCIATES

	Group	
	2009 HK\$	2008 HK\$
Share of net assets	–	–

Note:

- (a) During the year, the Group had disposed all of its 35% interests in the associates, namely Eclipse Investment Holding Limited and Lastminute Limited, to one of the shareholders of the associates at a consideration of HK\$100,000.
- (b) Summary of unaudited financial information on the associates as at 31st December, 2008:

	Assets	Liabilities	Equity	Revenue	Loss
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	for the year HK\$'000
2008					
100 per cent	3,986	(8,113)	(4,127)	35,649	(903)
Group's effective interest	1,395	(2,840)	(1,445)	12,477	(316)

Notes to the Financial Statements

for the year ended 31st December, 2009

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Unlisted equity securities (<i>Note a</i>)	74,066,951	63,242,932	12,547,809	7,500,000
Equity securities listed outside Hong Kong (<i>Note a</i>)	1,170,000	936,000	–	–
Unlisted convertible debt securities (<i>Note b</i>)	14,477,542	–	14,477,542	–
Club debentures	2,950,000	2,500,000	2,950,000	2,500,000
Total available-for-sale financial assets, at fair value	92,664,493	66,678,932	29,975,351	10,000,000
Deposits for investments, at cost (<i>Note c</i>)	18,190,000	1,380,000	18,190,000	780,000
	110,854,493	68,058,932	48,165,351	10,780,000
Market value of equity securities listed outside Hong Kong	1,170,000	936,000	–	–

Notes to the Financial Statements

for the year ended 31st December, 2009

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Note:

(a) As at 31st December, 2009, details of major equity securities included in available-for-sale financial assets are as follows:

Name of investee company	Place of incorporation	Principal activities	As at 31st December	Proportion of investee's capital owned	Investment cost thereto HK\$'000	Fair value of investment HK\$'000	Dividend income received during the year HK\$'000	Dividend cover %	Net assets attributable to the investment HK\$'000	Accumulated	Accumulated
										fair value gains (losses) on investment recognised in the financial statements HK\$'000	impairment losses on investment recognised in the financial statements HK\$'000
Getchance Holdings Limited	British Virgin Islands	Investment holding	2009	4%	2,000	4,811	-	-	4,811	2,811	-
			2008	4%	2,000	3,215	-	-	3,215	1,215	-
Mainco Limited	British Virgin Islands	Investment holding	2009	30%	19,021	16,468	4,500	106.29%	16,468	(2,553)	-
			2008	30%	19,021	11,530	1,650	36.64%	17,369	(7,491)	-
Modern Market Management Limited	Hong Kong	Provision for wet market management	2009	30%	600	4,923	-	-	4,923	4,323	-
			2008	30%	600	1,241	-	-	1,241	641	-
One.Tel Holding Limited	British Virgin Islands	Investment Holding	2009	20%	3,240	6,968	-	-	6,968	3,728	-
			2008	20%	3,240	8,520	-	-	8,520	5,280	-
Prosperity Material International Ltd.	Hong Kong	Trading of cements, iron ores and log, and property development	2009	5%	14,000	22,511	-	-	22,511	8,511	-
			2008	5%	14,000	23,879	5,000	49.31%	23,879	9,879	-
Win Direct Investments Ltd #	British Virgin Islands	Investment holding	2009	23.44%	7,500	12,548	-	-	12,548	5,048	-
			2008	23.44%	7,500	7,500	-	-	7,500	-	-
Chinese WorldNet.com Inc.	Cayman Islands	Provision for financial information services	2009	5.61%	2,044	1,170	-	-	1,170	(874)	-
			2008	5.61%	2,044	936	-	-	936	(1,108)	-

Unless otherwise specified, all investments are indirectly held by the Company through its subsidiaries.

Directly held by the Company

The equity investments in the above companies with interests being held at 20% or more are not classified as investments in associates as the Group does not participate in their operations and has no significant influence over their management.

Notes to the Financial Statements

for the year ended 31st December, 2009

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Note: (continued)

- (b) During the year, the Group acquired convertible bonds (the “Convertible Bonds”) issued by Kaisun Energy Group Limited (“Kaisun”) with principal amount of HK\$18,200,000 and 50,000,000 ordinary shares of Kaisun on 2nd September, 2009 at an aggregate consideration of HK\$50,000,000. Kaisun is a public limited company with its shares listed on the Growth Enterprise Market Board of the Stock Exchange. The Convertible Bonds carry interest at 3.75% per annum with maturity on 10th June, 2013. The Group can exercise the conversion option at anytime until the maturity date. The conversion price is HK\$0.7 per share. Unless previously converted or cancelled, Kaisun shall redeem the Convertible Bonds at 100% of the principal amount with accrued interest at the maturity date. The 50,000,000 ordinary shares of Kaisun acquired by the Group are accounted for as trading securities.

The purchase consideration of HK\$50,000,000 to the extent of HK\$28,441,278 has been allocated to the Convertible Bonds with the residual amount of HK\$21,558,722 allocated to the 50,000,000 ordinary shares of Kaisun. The Convertible Bonds has been split between a debt component and an embedded derivative (i.e. conversion option). The Group designated the debt component of the Convertible Bonds as available-for-sale financial assets. The embedded derivative is accounted for as derivative financial instrument. The initial carrying amount of the debt element of the Convertible Bonds is the residual amount after separating the embedded derivative. The Group engaged an independent valuer, RHL Appraisal Limited, to assess the fair value of the debt component and the embedded derivative, which are determined in accordance with the discounted cash flows and Binomial Model respectively.

Notes to the Financial Statements

for the year ended 31st December, 2009

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Note: (continued)

(b) (continued)

The movements of the fair values of the components of the Convertible Bonds are set out below:

	Group and Company		
	Debt element	Conversion option element	Total
	HK\$	HK\$	HK\$
At the date of initial recognition			
on 2nd September, 2009	13,314,073	15,127,205	28,441,278
Change in fair value	1,163,469	3,009,809	4,173,278
As at 31st December, 2009	14,477,542	18,137,014	32,614,556

The fair value of the debt component was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the issuer of the Convertible Bonds and remaining time to maturity. The details of the fair value of the conversion option element are set out in note 19(a).

(c) The deposits for investments are interest free and placed with the agent or investee companies for conversion to respective unlisted equity interests in the near future.

Notes to the Financial Statements

for the year ended 31st December, 2009

16. LOANS AND RECEIVABLES

	Group	
	2009 HK\$	2008 HK\$
Loans to investee companies (<i>Note a</i>)	39,093,164	52,093,103
Loan to an investee company (<i>Note b</i>)	–	29,078,124
Less: Allowance for impairment losses (<i>Note c</i>)	(32,779,029)	(61,093,720)
	6,314,135	20,077,507

Note:

- (a) The loans to investee companies are unsecured, interest free and not expected to be realised within one year from the end of reporting period.
- (b) As at 31 December, 2008, the loan to an investee company was unsecured with interest-bearing at annual fixed rate of 6% and was not expected to be realised within one year from the end of reporting period.
- (c) Movement of allowance for impairment losses:

	Group	
	2009 HK\$	2008 HK\$
Balance at 1st January	61,093,720	22,873,856
Impairment losses recognised	14,729,472	38,219,864
Recovery of impairment loss previously recognised	(54,000)	–
Written off	(42,990,163)	–
Balance at 31st December	32,779,029	61,093,720

The Group recognised impairment loss on individual assessment of loans and receivables based on the accounting policy stated in note 4(g).

Notes to the Financial Statements

for the year ended 31st December, 2009

16. LOANS AND RECEIVABLES (continued)

Note: (continued)

(d) The loans and receivables after impairment loss can be analysed as follows:

	Group	
	2009 HK\$	2008 HK\$
Balances neither past due nor impaired (<i>Note i</i>)	3,756,868	5,424,087
Balances not past due but impaired (<i>Note ii</i>)	2,557,267	14,653,420
	6,314,135	20,077,507

Note:

- (i) As at the end of reporting period, there are no event of default in repayment of loans which relate to a number of loans made to investees. The directors consider the investees should be able to meet their obligations to repay the debts taking into account their financial position and business prospect.
- (ii) As at the end of reporting period, the Group takes into consideration the likelihood of collection and the financial position of the investees. Specific allowance is made for loans that are unlikely to be collected and is recognised based on the estimation of the present value of the future cash flows expected to be received by the Group discounted at the original effective interest rate.

Notes to the Financial Statements

for the year ended 31st December, 2009

17. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Group		Company	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Accounts receivable	1,000	5,184,826	1,000	3,920,587
Loan receivable, secured (<i>Note a</i>)	15,000,000	8,000,000	15,000,000	–
Interests receivable	792,808	5,429,015	792,808	–
Other receivables	1,252,668	9,448	1,242,667	–
Receivables after allowance for impairment loss	17,046,476	18,623,289	17,036,475	3,920,587
Deposits	606,883	606,883	606,833	606,833
Prepayments	157,106	153,170	149,100	149,100
	17,810,465	19,383,342	17,792,408	4,676,520

Note:

- (a) As at 31st December, 2009, the loan is secured by a guarantor's certain equity investments. The loan carries interest at annual fixed rate of 25% and is repayable on 11th January, 2010. The loan is repaid in full in January 2010.

As at 31st December, 2008, the loan was secured on rental receivables and guaranteed by certain related companies of the borrower. The loan carried interest at annual fixed rate of 12%. The repayment date was 30th June, 2009 but the borrower failed to repay the loan on time and impairment loss was recognised in the interim financial statements for the six months ended 30th June, 2009. Thereafter, the loan was assigned to a third party at a consideration of HK\$8,000,000 in connection with disposal of an investment to the third party. Impairment loss of HK\$8,000,000 was therefore reversed in the last quarter of 2009.

Notes to the Financial Statements

for the year ended 31st December, 2009

17. ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Note: (continued)

- (b) The ageing analysis of the receivables (after allowance for impairment loss) based on due date is as follows:

	Group		Company	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Balances not impaired				
Current (Note c)	17,046,476	13,292,583	17,036,475	3,910,624
Balances overdue between:				
1 – 180 days	–	69,738	–	1,000
181 – 365 days	–	42,553	–	8,963
Over 1 year but less than 2 years	–	–	–	–
Over 2 years	–	100,000	–	–
(Note d)	–	212,291	–	9,963
Balances not impaired	17,046,476	13,504,874	17,036,475	3,920,587
Balances impaired				
Current	–	3,418,020	–	–
Balances overdue between:				
1 – 180 days	–	341,655	–	–
181 – 365 days	–	341,655	–	–
Over 1 year but less than 2 years	–	919,803	–	–
Over 2 years	–	97,282	–	–
	–	1,700,395	–	–
Balances impaired	–	5,118,415	–	–
Receivables after allowance for impairment loss	17,046,476	18,623,289	17,036,475	3,920,587

- (c) The balances that were neither past due nor impaired relate to a number of borrowers for whom there was no recent history of default.
- (d) The balances that were past due but not impaired relate to a number of borrowers. Based on the assessment of these borrowers' financial position and circumstances, the directors consider that the receivables should be fully recoverable.

Notes to the Financial Statements

for the year ended 31st December, 2009

17. ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Note: (continued)

(e) The below table reconciled the allowance for impairment loss on receivables for the year.

	Group		Company	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
At 1st January	2,578,519	–	–	–
Impairment loss recognised for the year	18,807,483	2,578,519	3,910,139	–
Recovery of impairment loss	(8,000,000)	–	–	–
Bad debts written off against the corresponding receivables	(8,489,093)	–	(615,200)	–
As at 31 December	4,896,909	2,578,519	3,294,939	–

(f) During the year, the Group's accounts receivable of nil (2008: HK\$2,125,273) was directly written off to profit or loss as the debts are uncollectible.

18. TRADING SECURITIES

	Group		Company	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Current assets:				
Equity securities held for trading at market value				
– Listed in Hong Kong	29,186,839	67,202,405	29,186,839	36,402,405
– Listed outside Hong Kong	15,743,463	5,694,224	11,796,240	3,023,307
	44,930,302	72,896,629	40,983,079	39,425,712

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18. TRADING SECURITIES (continued)

Listed equity securities

As at 31st December, 2009, details of major listed equity securities are as follows:

Name of investee company	Place of incorporation	As at 31st December	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Dividend income received during the year HK\$'000	Dividend cover %	Net assets attributable to the investment HK\$'000	Accumulated fair value gains (losses) on investment recognised in the financial statements HK\$'000
Listed in Hong Kong:									
Kaisun Energy Group Limited ("Kaisun") (Note i)	Cayman Islands	2009	1.44%	11,211	23,660	-	-	9,601	12,449
		2008	10.39%	9,627	30,800	-	-	48,416	21,173
Upbest Group Limited ("Upbest") (Note ii)	Cayman Islands	2009	0.30%	1,249	4,120	139	25%	3,091	2,871
		2008	0.31%	1,249	2,720	120	24.59%	2,713	1,471
Tonic Industries Holdings Limited ("Tonic") (Note iii)	Cayman Islands	2009	0.99%	3,036	1,406	-	-	1,234	(1,630)
		2008	0.99%	3,036	829	-	-	6,137	(2,207)
Listed outside Hong Kong:									
Celsion Corporation ("Celsion") (Note iv) #	Delaware	2009	0.66%	6,733	3,947	-	-	511	(2,786)
		2008	1.54%	6,733	2,671	-	-	2,345	(4,062)
Medifocus Inc ("Medifocus") (Note v)	Ontario	2009	3.90%	2,378	2,105	-	-	509	(273)
		2008	3.90%	2,378	3,001	-	-	103	623
Champion Minerals Inc ("Champion") (Note vi)	Ontario	2009	8.43%	2,781	9,599	-	-	2,706	6,818
		2008	-	-	-	-	-	-	-

Unless otherwise specified, all investments are directly held by the Company.

Indirectly held by the Company through its subsidiaries

Notes to the Financial Statements

for the year ended 31st December, 2009

18. TRADING SECURITIES (continued)

Listed equity securities (continued)

Note:

- (i) Kaisun is changing its business activities from auto servicing and repairing operation into integrated coke production, as well as going to expand its business in oil and gas exploration in Russia.
- (ii) Upbest is principally engaged in provision of a wide range of financial services including securities broking, futures broking, margin financing, money lending, corporate finance advisory and asset management; and property investment. Its place of operation is mainly in Hong Kong.
- (iii) Tonic is principally engaged in the design, manufacturing and trading of consumer electronic products and customers and components and home appliance products. Its places of operations are located in Hong Kong and the People's Republic of China.
- (iv) Celsion is principally engaged in furthering the development and commercialisation of treatment systems for cancer and other diseases using focused heat energy in combination with other therapeutic devices, heat-activated drugs or heat-activated genes. Its place of operation is mainly in United States of America.
- (v) Medifocus is principally engaged in the business of development and commercialisation of minimally invasive, focused-heat tumor targeted cancer treatment devices and system.
- (vi) Champion is principally engaged in the business of acquisition, exploration and development of iron mines.

The above information is based on the latest published financial statements and information of the investees.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2009 HK\$	2008 HK\$
Conversion option embedded in convertible bonds (Note a)	18,137,014	—
Investment in warrants (Note b)	3,185,721	—
	21,322,735	—

Notes to the Financial Statements

for the year ended 31st December, 2009

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Note:

- (a) As at 31st December, 2009, conversion option embedded in convertible bonds represented the conversion option element of the Convertible Bonds issued by Kaisun.

As mentioned in note 15(b), the Group acquired the Convertible Bonds during the year. HK\$15,127,205 was recognised as conversion option embedded in the Convertible Bonds upon the acquisition which was measured at fair value at initial recognition and changes in fair value are directly recognised in profit or loss in subsequent period.

Binomial model is used for valuation of the conversion option embedded in the Convertible Bonds. The inputs into the model of the Convertible Bonds as at date of acquisition and as at 31st December, 2009 are as follows:

	At date of acquisition of	
	2nd September, 2009	31st December, 2009
Stock price	HK\$0.79	HK\$0.9
Conversion price	HK\$0.7	HK\$0.7
Volatility	78.564%	82.825%
Dividend yield	—	—
Option life (years)	3.773	3.444
Risk free rate	1.310%	3.108%

Volatility of the stock price is estimated by the average annualised standard deviations of the continuously compounded rates of return on the stock price of Kaisun.

Gain on fair value changes of the conversion options of HK\$3,009,809 (2008: nil) has been recognised in profit or loss.

- (b) During the year, the Group acquired 2,000,000 unit of warrants (the “Warrants”) issued by Champion Minerals Inc. (“Champion”) and 2,000,000 ordinary shares of Champion on 14th September 2009 at an aggregate consideration of CAD500,000. Champion is a public limited company with its shares listed on the Toronto Stock Exchange Venture. Each of the Warrants entitles the holder to purchase one ordinary share of Champion at a price of CAD0.5 per share at any time on or before 14th March, 2011. If the average closing price of the ordinary shares of Champion is over CAD0.75 for a period of 20 consecutive business days (commencing from the expiry of the lock-up period on 15th January, 2010), the Warrants must be exercised within ten business days of receiving written notice from Champion or they are to be terminated. All ordinary shares resulted from the exercise of the Warrants are not permitted to be traded before 15th January, 2010.

The purchase consideration of CAD500,000 (HK\$3,601,350) to the extent of CAD113,876 (HK\$820,213) has been allocated to the warrants with the residual amount of CAD386,124 (HK\$2,781,137) allocated to the 2,000,000 ordinary shares of Champion and accounted for as trading securities.

The Group had engaged an independent valuer, RHL Appraisal Limited, to assess the fair value of the Warrants.

Notes to the Financial Statements

for the year ended 31st December, 2009

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Note: (continued)

(b) (continued)

Trinomial model is used for valuation of the Warrants. The inputs into the model of the Warrants as at date of acquisition and as at 31st December, 2009 are as follows:

	At date of acquisition of	
	14th September, 2009	31st December, 2009
Stock price	CAD0.27	CAD0.65
Exercise price	CAD0.5	CAD0.5
Volatility	105.18%	109.41%
Dividend yield	–	–
Warrant life (years)	1.50	1.20
Risk free rate	0.891%	0.899%

Gain on fair value changes of the Warrants of HK\$2,365,508 (2008: nil) has been recognised in profit or loss.

20. ACCOUNTS PAYABLE AND ACCRUALS

	Group		Company	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Accruals	1,133,352	1,712,125	878,717	871,521
Unclaimed dividend payable	116,604	74,530	116,604	74,530
	1,249,956	1,786,655	995,321	946,051

The aging analysis of accounts payable is as follows:

	Group		Company	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Current	1,175,426	1,712,125	920,791	871,521
Over 1 year	74,530	74,530	74,530	74,530
	1,249,956	1,786,655	995,321	946,051

Notes to the Financial Statements

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21. DEFERRED TAX LIABILITIES

The deferred tax of the Group and the Company recognised in the financial statements arises from the net unrealised gains on financial assets at fair value through profit or loss and allowance for impairment loss on certain accounts receivable. The movements in the deferred tax liabilities (assets) during the year are as follows:

	Group		Company	
	Net unrealised gains on financial assets at fair value through profit or loss HK\$	Allowance for impairment loss on accounts receivable HK\$	Total HK\$	Net unrealised gains on financial assets at fair value through profit or loss HK\$
At 1st January, 2008	–	–	–	–
Charge (credit) to profit or loss	3,049,200	(397,458)	2,651,742	–
At 31st December, 2008	3,049,200	(397,458)	2,651,742	–
(Credit) charge to profit or loss	(635,252)	397,458	(237,794)	2,413,948
At 31st December, 2009	2,413,948	–	2,413,948	2,413,948

At the end of reporting period, the Group and the Company had unutilised tax losses of HK\$6,390,548 (2008: HK\$32,965,008) and nil (2008: 26,719,219) respectively available for offsetting against future assessable profits. However, no deferred tax assets in respect of the tax losses have been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

Notes to the Financial Statements

for the year ended 31st December, 2009

22. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$1 each at 1st January, 2008, 31st December, 2008, and 31st December, 2009	100,000,000	100,000,000
Issued and fully paid:		
Ordinary shares of HK\$1 each at 1st January, 2008 and 2009	39,002,614	39,002,615
Issue of shares of HK\$1 each during the year (<i>note a</i>)	56,000	56,000
Ordinary shares of HK\$1 each at 31st December, 2009	39,058,614	39,058,615

Note:

(a) Exercise of share options

On 14th August, 2009, certain directors of the Company exercised 56,000 share options granted at exercise price of HK\$4.29 per share which resulted in 56,000 new shares of HK\$1 each issued by the Company.

(b) Share option scheme

The Company has adopted a share option scheme (the "Share Option Scheme") at its annual general meeting held on 28th June, 2005. The purposes of the Share Option Scheme are to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

All directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Company and its subsidiaries and consultants, advisors, agents, customers, service providers, contractors, business partners of any member of the Group or any member of it has a shareholding interest, in the sole discretion of the Board, has contributed to the Group or any member of it are eligible to participate in the Share Option Scheme.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 2,922,047 shares of the Company, being approximately 10% of the issued shares of the Company at the date of approval of the Share Option Scheme and 10% of issued share capital at the date of the then financial statements (as adjusted after the share consolidation on 14th December, 2006).

Notes to the Financial Statements

for the year ended 31st December, 2009

22. SHARE CAPITAL

Note: (continued)

(b) Share option scheme (continued)

The total number of shares issued and to be issued upon exercise of options granted to each eligible participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any twelve-month period must not exceed 1% of the issued shares of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any twelve-month period up to the date of grant should not exceed 0.1% of the issued shares of the Company or an aggregate value of HK\$5,000,000.

An option may be exercised at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof.

Unless otherwise determined by the Board at its sole discretion, the Share Option Scheme does not require a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised.

Upon acceptance of the options, the grantee shall pay HK\$1 to the Company by way of consideration for the grant.

The subscription price for the shares of the Company (the subject of an option) shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be determined by the Board at the time the option is offered to the relevant participant.

The Share Option Scheme will remain in force for a period of ten years from 28th June, 2005.

No share options were granted by the Company during the year ended 31st December, 2009.

On 18th August, 2008, the Company granted 522,047 and 50,000 share options to the employees and a corporate development advisor respectively at the exercise price of HK\$5.1 per share representing 1.47% of the issued share capital of the Company as at 31st December, 2008. The estimated fair value of HK\$343,000 with respect to the share options granted to the employees and the consultant were charged to profit or loss during the year ended 31st December, 2008.

Notes to the Financial Statements

for the year ended 31st December, 2009

22. SHARE CAPITAL

Note: (continued)

(b) Share option scheme (continued)

As the Company had granted a total of 2,922,047 share options representing approximately 10% of the total issued shares of the Company as at the date of adoption of the Share Option Scheme, no further share options can be granted by the Company after 18th August, 2008.

Details of the share options granted, lapsed and exercised under the Share Option Scheme during the years ended 31st December, 2009 and 2008 are as follows:.

	Date of grant	Exercise period	Number of options			Outstanding as at 31st December, 2009	Exercise price HK\$	Share price at exercise date of 14th August 2009 HK\$
			Outstanding as at 1st January, 2009	Lapsed during the year	Exercised during the year			
Director								
Lee Fong Lit David	30/4/2007	30/4/2007-29/4/2010	28,000	-	-	28,000	4.29	
Chow Pok Yu Augustine	30/4/2007	30/4/2007-29/4/2010	28,000	-	-	28,000	4.29	
Lam Andy Siu Wing, JP	30/4/2007	30/4/2007-29/4/2010	292,000	-	-	292,000	4.29	
Chan Shuen Chuen Joseph	30/4/2007	30/4/2007-29/4/2010	28,000	-	-	28,000	4.29	
Tong Kim Weng Kelly	30/4/2007	30/4/2007-29/4/2010	28,000	-	-	28,000	4.29	
Ho Man Kai Anthony	30/4/2007	30/4/2007-29/4/2010	28,000	-	(28,000)	-	4.29	4.94
Wong Yun Kuen	30/4/2007	30/4/2007-29/4/2010	28,000	-	(28,000)	-	4.29	4.94
Sub-total			460,000	-	(56,000)	404,000		
Other employees in aggregate								
	30/4/2007	30/4/2007-29/4/2010	584,000	-	-	584,000	4.29	
	18/8/2008	18/8/2008-17/8/2011	522,047	-	-	522,047	5.10	
Sub-total			1,106,047	-	-	1,106,047		
Other parties								
Maison Placements Canada Inc.	18/6/2007	18/6/2007-17/6/2009	290,000	(290,000)	-	-	6.03	
CanCap Advisory Services Ltd	18/8/2008	18/8/2008-17/8/2011*	50,000	(50,000)	-	-	5.10	
			340,000	(340,000)	-	-		
Grand-total			1,906,047	(340,000)	(56,000)	1,510,047		

* The lapse of the share options was due to the termination of service contract with the Company during the year.

Notes to the Financial Statements

for the year ended 31st December, 2009

22. SHARE CAPITAL

Note: (continued)

(b) Share option scheme (continued)

2008

	Date of grant	Exercise period	Number of options		Exercise price HK\$	
			Outstanding as at 1st January, 2008	Granted during the year		Outstanding as at 31st December, 2008
Director						
Lee Fong Lit David	30/4/2007	30/4/2007-29/4/2010	28,000	–	28,000	4.29
Chow Pok Yu Augustine	30/4/2007	30/4/2007-29/4/2010	28,000	–	28,000	4.29
Lam Andy Siu Wing, JP	30/4/2007	30/4/2007-29/4/2010	292,000	–	292,000	4.29
Chan Shuen Chuen Joseph	30/4/2007	30/4/2007-29/4/2010	28,000	–	28,000	4.29
Tong Kim Weng Kelly	30/4/2007	30/4/2007-29/4/2010	28,000	–	28,000	4.29
Ho Man Kai Anthony	30/4/2007	30/4/2007-29/4/2010	28,000	–	28,000	4.29
Wong Yun Kuen	30/4/2007	30/4/2007-29/4/2010	28,000	–	28,000	4.29
Sub-total			460,000	–	460,000	
Other employees in aggregate						
	30/4/2007	30/4/2007-29/4/2010	584,000	–	584,000	4.29
	18/8/2008	18/8/2008-17/8/2011	–	522,047	522,047	5.10
Sub-total			584,000	522,047	1,106,047	
Other parties						
Maison Placements Canada Inc	18/6/2007	18/6/2007-17/6/2009	290,000	–	290,000	6.03
CanCap Advisory Services Ltd	18/8/2008	18/8/2008-17/8/2011	–	50,000	50,000	5.10
Sub-total			290,000	50,000	340,000	
Grand total			1,334,000	572,047	1,906,047	

Notes to the Financial Statements

for the year ended 31st December, 2009

22. SHARE CAPITAL

Note: (continued)

(b) Share option scheme (continued)

The closing prices of share immediately before the date of grant of the options on 18th August, 2008, 18th June, 2007 and 30th April, 2007 were HK\$5.10, HK\$6.02 and HK\$4.23 respectively.

The options granted during the years ended 31st December, 2007 and 2008 vested at the dates of grant.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes Options Pricing Model.

The variables of the options granted during the year ended 31st December, 2008 served as inputs into the model are listed as follows

Grant date/Date of valuation	18th August, 2008
Option type	American
Stock asset price (closing on the date of valuation) (HK\$)	5.10
Option exercise price (HK\$)	5.10
Exercise period	18th August, 2008 to 17th August, 2011
Maturity (Years)	Three
Assumed life of option from the date of valuation (years)	1.5
Risk-free interest rate (Note i)	1.895%
Annualised volatility (Note ii)	26%
Indicated option value (HK\$/share)	0.5992
Number of shares to be issued if options are exercised	572,047
Fair value of options granted (HK\$)	343,000

Note:

- (i) Risk-free rate: The applicable risk-free interest rate was the yield of one year and two years Hong Kong Monetary authority exchange fund notes quoted at the date of valuation.
- (ii) Volatility: The conventional measure for systemic risk, or price volatility, is the standard deviation, which is a measure of price dispersion or variation. This variable is just the average of the square of the difference between share price and mean price over time.
- (iii) The estimated fair values of HK\$343,000 with respect to share options granted to employees and a corporate development advisor were charged to profit or loss during the year ended 31st December, 2008.

Notes to the Financial Statements

for the year ended 31st December, 2009

22. SHARE CAPITAL

Note: (continued)

(c) Capital management

The Company's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. It is the Company's policy to finance its operations merely by internal funding and raising capital from shareholders. Therefore, the Group has no or insignificant borrowings. No changes were made in the objectives or policies during the year.

23. RESERVES

	Group					
	Share premium	Fair value reserve	Share option reserve	(Accumulated losses) retained		Total
				Proposed dividend	profits	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January, 2009	170,354,945	5,641,393	1,350,000	–	(32,807,189)	144,539,149
Profit for the year	–	–	–	–	84,954,963	84,954,963
Fair value changes on available-for-sale financial assets recognised in equity	–	12,891,490	–	–	–	12,891,490
Transfer to profit or loss upon disposal of available-for-sale financial assets	–	(222,002)	–	–	–	(222,002)
Issue of shares upon exercise of share options	225,103	–	(40,863)	–	–	184,240
Transfer to retained profits upon lapse of share options	–	–	(274,981)	–	274,981	–
Interim dividend paid (Note 10)	(3,905,861)	–	–	–	–	(3,905,861)
Proposed dividend (Note 10)	(3,905,861)	–	–	3,905,861	–	–
At 31st December, 2009	162,768,326	18,310,881	1,034,156	3,905,861	52,422,755	238,441,979

Notes to the Financial Statements

for the year ended 31st December, 2009

23. RESERVES (continued)

	Group					
	Share premium	Fair value reserve	Share option reserve	Proposed dividend	Retained profits (accumulated losses)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January, 2008	170,354,945	15,268,766	1,007,000	6,630,444	55,783,325	249,044,480
Loss for the year	-	-	-	-	(88,590,514)	(88,590,514)
Impairment loss on available-for-sale financial assets recognised in profit or loss	-	5,399,014	-	-	-	5,399,014
Fair value changes on available-for-sale financial assets recognised in equity	-	(15,026,387)	-	-	-	(15,026,387)
Share option scheme –						
– value of employee services	-	-	313,040	-	-	313,040
– value of corporate development advisor services	-	-	29,960	-	-	29,960
Dividend paid	-	-	-	(6,630,444)	-	(6,630,444)
At 31st December, 2008	170,354,945	5,641,393	1,350,000	-	(32,807,189)	144,539,149

Notes to the Financial Statements

for the year ended 31st December, 2009

23. RESERVES (continued)

	Company					Total HK\$
	Share premium HK\$	Fair value reserve HK\$	Share option reserve HK\$	(Accumulated Proposed losses) retained		
				dividend HK\$	profits HK\$	
At 1st January, 2009	170,354,945	1,268,640	1,350,000	-	(79,273,718)	93,699,867
Profit for the year	-	-	-	-	91,986,522	91,986,522
Fair value changes on available-for-sale financial assets recognised in equity	-	6,661,278	-	-	-	6,661,278
Issue of shares upon exercise of share options	225,103	-	(40,863)	-	-	184,240
Transfer to retained profits upon lapse of share options	-	-	(274,981)	-	274,981	-
Interim dividend paid (<i>Note 10</i>)	(3,905,861)	-	-	-	(3,905,861)	-
Proposed dividend (<i>Note 10</i>)	(3,905,861)	-	-	3,905,861	-	-
At 31st December, 2009	162,768,326	7,929,918	1,034,156	3,905,861	12,987,785	188,626,046

Notes to the Financial Statements

for the year ended 31st December, 2009

23. RESERVES (continued)

	Company					Retained profits (accumulated losses)	Total
	Share premium	Fair value reserve	Share option reserve	Proposed dividend			
	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1st January, 2008	170,354,945	1,268,640	1,007,000	6,630,444	7,150,918	186,411,947	
Loss for the year	-	-	-	-	(86,424,636)	(86,424,636)	
Share option scheme –							
– value of employee services	-	-	313,040	-	-	313,040	
– value of corporate development advisor services	-	-	29,960	-	-	29,960	
Dividend paid	-	-	-	(6,630,444)	-	(6,630,444)	
At 31st December, 2008	170,354,945	1,268,640	1,350,000	-	(79,273,718)	93,699,867	

Note:

(a) Nature and purpose of reserves

Share premium represents the amount by which the issue price of shares exceeds the par value of those shares and is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Fair value reserve represents the cumulative net change in fair value of available-for-sale financial assets held at the end of reporting period and is dealt with in accordance with the accounting policies in note 4(g).

Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and other parties recognised in accordance with the accounting policy adopted for share-based payments in note 4(m)(ii).

24. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the Group's net assets of HK\$277,500,594 (2008: HK\$183,541,764) divided by the Company's 39,058,614 (2008: 39,002,614) ordinary shares in issue as at 31st December, 2009.

Notes to the Financial Statements

for the year ended 31st December, 2009

25. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit (loss) before income tax to cash generated from operations:

	2009 HK\$	2008 HK\$
Operating activities		
Profit (loss) before income tax	99,507,864	(93,662,234)
Interest income	(1,314,810)	(4,391,728)
Dividend income from available-for-sale financial assets	(4,636,000)	(8,400,000)
Depreciation of property, plant and equipment	115,724	129,027
Equity-settled share-based payment expenses	–	343,000
Fair value changes on trading securities	(21,695,001)	44,044,129
Fair value changes on derivative financial instruments	(5,375,317)	–
Impairment loss on available-for-sale financial assets:		
– equity investments	–	5,399,014
– deposits on investments written off	600,000	200,000
Reversal of impairment loss upon disposal of available-for-sale financial assets	(222,002)	–
Impairment loss on loans and receivables	14,729,472	38,219,864
Impairment loss on accounts receivable	18,807,483	4,703,792
Recovery of impairment loss on loans and receivables previously recognised	(54,000)	–
Recovery of impairment loss on accounts receivables	(8,000,000)	–
Gain on disposal of an associate	(100,000)	–
Gain on disposal of property, plant and equipment	(10,000)	–
Profit (loss) before working capital changes	92,353,413	(13,415,136)
Decrease in trading securities	49,661,328	15,129,795
Increase in derivative financial instruments	(15,947,418)	–
(Increase) decrease in accounts receivable and prepayments	(8,144,829)	6,055,107
Decrease in accounts payable and accruals	(578,773)	(1,296,650)
Increase in amount due to a related company	6,028,948	–
Cash generated from operations	123,372,669	6,473,116

Notes to the Financial Statements

for the year ended 31st December, 2009

26. RELATED PARTY TRANSACTIONS

- (a) The Company has entered into an investment management agreement with Harmony Asset Management Limited (“HAML”), a company which is wholly-owned by a director of the Company, Dr. Chow Pok Yu Augustine. Under the investment management agreement together with a supplemental agreement entered into between the Company and HAML on 17th May, 2007, HAML has agreed to assist the Board with the day-to-day management of the Group for additional three years until 31st May, 2010. In accordance with the investment management agreement and the supplemental agreement, HAML is entitled to a monthly management fee calculated at 1.5% per annum on the net asset value of the Group of the preceding month and an incentive fee calculated at 10% of the audited net profit of a financial year (before accrual of the incentive fee) subject to an annual cap of HK\$7,430,782 (2008: HK\$5,672,353) and HK\$6,028,948 (2008: HK\$5,531,145) for the year ended 31st December, 2009 respectively. Dr. Chow Pok Yu Augustine, being the beneficial shareholder of HAML, is interested in these contracts in 2009 and 2008. The management fees and incentive fee paid and payable to HAML are as follows:

	2009 HK\$	2008 HK\$
Management fees	3,473,236	4,175,591
Incentive fee	6,028,948	–
	9,502,184	4,175,591

In the opinion of the Company’s independent non-executive directors, the transactions have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company. The independent non-executive directors also consider that the transactions are conducted in accordance with the terms of the investment management agreement and the supplemental agreement that are fair and reasonable, and in the interests of the Company’s shareholders as a whole.

The above transactions are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Notes to the Financial Statements

for the year ended 31st December, 2009

26. RELATED PARTY TRANSACTIONS (continued)

- (b) Remuneration of key management personnel of the Group representing amounts paid to the Company's directors is disclosed in note 8(a).
- (c) The amount due to a related company as at 31st December, 2009 represents incentive fee payable to HAML which is unsecured, interest-free and repayable on demand.

27. COMMITMENTS

Commitments under operating leases

At 31st December, 2009, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group		Company	
	2009	2008	2009	2008
Within one year	615,230	2,109,360	615,230	2,109,360
In the second to fifth years inclusive	–	615,230	–	615,230
	615,230	2,724,590	615,230	2,724,590

The Group leases an office under operating leases. The leases typically run from an initial period of three years, with an option to renew the lease after that date at which time all terms are renegotiated.

Notes to the Financial Statements

for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's and the Company's financial instruments as at 31st December, 2009 and 2008 are categorised as follows:

	Group		Company	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Available-for-sale financial assets	110,854,493	68,058,932	48,165,351	10,780,000
Loans and receivables				
Amounts due from subsidiaries	–	–	19,074,801	68,903,175
Loans and receivables	6,314,135	20,077,507	–	–
Accounts receivable	17,046,476	18,623,289	17,036,475	3,920,587
Bank balances and cash	98,065,356	10,252,785	97,806,340	9,726,224
	121,425,967	48,953,581	133,917,616	82,549,986
Financial assets at fair value through profit or loss				
Trading securities	44,930,302	72,896,629	40,983,079	39,425,712
Derivative financial instruments	21,322,735	–	21,322,735	–
	66,253,037	72,896,629	62,305,814	39,425,712
Total financial assets	298,533,497	189,909,142	244,388,781	132,755,698
Financial liabilities				
Accounts payable and accruals	1,249,956	1,786,655	995,321	946,051
Amount due to a related company	6,028,948	–	6,028,948	–
Total financial liabilities	7,278,904	1,786,655	7,024,269	946,051

Notes to the Financial Statements

for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors review and agree policies for managing each of these risks and they are summarised below.

(i) Market risk

– Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the exchange rate of Hong Kong ("HK") dollar against Canadian dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

As substantial amount of the Group and the Company's financial assets and financial liabilities are denominated in HK dollar, the directors consider that the Group's foreign exchange risk is merely limited to the carrying amount of those bank balances and cash, trading securities and derivative financial instruments denominated in Canadian dollar.

As at 31 December, 2009, bank balances and cash, trading securities and derivative financial instruments of the Group and the Company denominated in Canadian dollar are as follows:

	Group and Company	
	2009	2008
Trading securities	11,796,240	3,023,307
Derivative financial instruments	3,185,721	–
Bank balances and cash	808,887	4,421,237
	15,790,848	7,444,544

The Group does not use any derivative contracts to hedge foreign exchange exposure. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Financial Statements

for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

- Foreign exchange risk (continued)

Sensitivity analysis

The following sensitivity analysis on foreign exchange risk only represents cash and bank balances, trading securities and derivative financial instruments that are denominated in Canadian dollar as the Group and the Company have no other significant financial assets and liabilities denominated in foreign currencies. The following tables indicate the approximate effect on the profit after tax in the next accounting period at one year after the end of reporting period in response to reasonably possible changes in an exchange rate to which the Group has significant exposure at the end of reporting period.

	Group and Company	
	2009 Effect on profit after tax HK\$	2008 Effect on profit after tax HK\$
CAD to HK\$:		
Appreciates by 6%	947,451	265,274
Depreciates by 6%	(947,451)	(265,274)

- Price risk

The Group is exposed to price risk of equity securities which are classified on the Group and the Company's statements of financial positions either as available-for-sale financial assets or financial assets at fair value through profit or loss. Such investments are susceptible to market price risk arising from uncertainties about their future prices. Such risk is managed through diversification of investment portfolio.

Notes to the Financial Statements

for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

– Price risk (continued)

The sensitivity analysis on equity price risk represents the Group and the Company's financial assets classified as at fair value through profit or loss which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. The below analysis is estimated based on the historical correlation (One year is used by the Company) between Hang Seng Index and Growth Enterprise Market ("GEM") Index in respect of those financial assets at fair value through profit or loss and listed in relevant stock exchanges in Hong Kong at the end of each reporting period assuming all other variables remain constant.

	Group		Company	
	2009 Effect on profit after tax HK\$	2008 Effect on profit after tax HK\$	2009 Effect on profit after tax HK\$	2008 Effect on profit after tax HK\$
Hang Seng Index				
Increase by 20% (2008: 35%)	276,000	1,453,940	276,000	1,453,940
Decrease by 20% (2008: 35%)	(276,000)	(1,453,940)	(276,000)	(1,453,940)
GEM Index				
Increase by 25% (2008: 15%)	4,904,000	5,712,586	4,904,000	–
Decrease by 25% (2008: 15%)	(4,904,000)	(5,712,586)	(4,904,000)	–

Notes to the Financial Statements

for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

– Price risk (continued)

Sensitivity analysis on equity price of both financial assets at fair value through profit or loss and available-for-sale equity investments listed in other overseas stock exchanges has not been presented as the reasonably possible changes in their prices will have insignificant impact on the financial statements.

As mentioned in note 4(g), the directors estimate the fair value of those available-for-sale equity instruments which are not traded in an active market by analysis of respective investee's circumstances on case by case basis. Majority of these investments' fair value have been estimated by the directors to be equal to their net asset value attributable to the Group. Accordingly, the directors consider it is not meaningful to present sensitivity analysis resulted from reasonably possible changes in price of these investments.

– Interest rate risk

The Group's fair value interest rate risk from financial assets merely arises from the loans and receivables as shown in note 16 which are not expected to be demanded by the Group for repayment within one year. As the Group has the right to demand repayment of these loans and receivables, which have no fixed repayment terms, as necessary, the directors consider the exposure of fair value interest rate risk from these loans and receivables is insignificant.

The Group and the Company also expose to interest rate risk from bank balances and cash, accounts receivable as shown in note 17 and the Convertible Bonds as shown in note 15(b). The directors consider the fair value interest rate risk from accounts receivable and bank balances and cash is insignificant due to their short maturity. Moreover, a reasonably possible change in interest rate will not have material impact on the Group and the Company's profit or equity.

The Group does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

Notes to the Financial Statements

for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(ii) Credit risk

Counter parties and cash transactions are limited to those debtors, borrowers and investees considered by directors having a good credit standing and business prospect. The Group and the Company regard the maximum credit risk exposure limited to the carrying amounts of the “loans and receivables” shown in note 28(a) as well as the Convertible Bonds which comprise the debt component of HK\$14,477,542 (Note 15(b)) and the embedded derivative (i.e. conversion option) of HK\$18,137,014 (Note 19(a)) as at 31st December, 2009.

The bank balances and cash are placed with financial institutions that have a high credit rating and therefore the Group considers the credit risk on bank deposits to be insignificant.

The Group and the Company have concentration of credit risk as the Group’s loans to its five (2008: five) investees account for 81% (2008: 88%) of the total carrying amount of the loans and receivables as at 31st December, 2009. The Group’s and Company’s loan to one of its borrowers accounts for 88% (2008: 50%) and 88% (2008: 84%) of the Group’s and Company’s total carrying amount of accounts receivable respectively. Taking into account the financial position and business prospect of these investees and borrowers, the directors consider the borrowers should be able to meet their obligations to repay the debts (after impairment loss recognised by the Group). As the aforementioned borrowers are the Group’s investees or potential investees, the Group is in a better position to assess the recoverability of the loans, recognise adequate impairment losses and enforce the repayment of loans. In this regard, the directors consider the exposure from concentration of credit risk is reduced to an acceptable level.

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for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

Liquidity risk is the risk the Group is unable to meet its current obligations when they fall due.

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its investment commitments and daily operation.

The contractual undiscounted cash flows of the Group and the Company's financial liabilities approximate the carrying amount of the accounts payable and accruals and amount due to a related company as shown in note 28(a) which are payable within one year, as the impact of discounting is insignificant.

(b) Fair value estimation

Effective from 1st January, 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

The following table presents the Group's and Company's financial assets that are measured at fair value at 31st December, 2009.

	Group			
	2009			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Available-for-sale financial assets				
Unlisted equity securities at fair value	–	–	74,066,951	74,066,951
Equity securities listed outside Hong Kong at fair value	–	1,170,000	–	1,170,000
Unlisted convertible bonds	–	14,477,542	–	14,477,542
Club debentures	–	2,950,000	–	2,950,000
	–	18,597,542	74,066,951	92,664,493
Financial assets at fair value through profit or loss				
Equity securities held for trading at market value listed in Hong Kong	29,186,839	–	–	29,186,839
Equity securities held for trading at market value listed outside Hong Kong	15,743,463	–	–	15,743,463
Conversion option embedded in convertible bonds	–	18,137,014	–	18,137,014
Investment in warrants	–	3,185,721	–	3,185,721
	44,930,302	21,322,735	–	66,253,037
Total financial assets at fair value	44,930,302	39,920,277	74,066,951	158,917,530

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for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

	Company			
	2009			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Available-for-sale financial assets				
Unlisted equity securities at fair value	–	–	12,547,809	12,547,809
Equity securities listed outside Hong Kong at fair value	–	–	–	–
Unlisted convertible bonds	–	14,477,542	–	14,477,542
Club debentures	–	2,950,000	–	2,950,000
	–	17,427,542	12,547,809	29,975,351
Financial assets at fair value through profit or loss				
Equity securities held for trading at market value listed in Hong Kong	29,186,839	–	–	29,186,839
Equity securities held for trading at market value listed outside Hong Kong	11,796,240	–	–	11,796,240
Conversion option embedded in convertible bonds	–	18,137,014	–	18,137,014
Investment in warrants	–	3,185,721	–	3,185,721
	40,983,079	21,322,735	–	62,305,814
Total financial assets at fair value	40,983,079	38,750,277	12,547,809	92,281,165

Notes to the Financial Statements

for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

There have been no transfers among levels 1, 2 and 3 during the year.

The following table presents the changes in level 3 instruments of the Group and the Company during the year ended 31st December, 2009.

	Group HK\$	Company HK\$
At 1st January, 2009	63,242,932	7,500,000
Gains on fair value changes transfer to profit or loss upon disposal	(222,002)	–
Gains on fair value changes recognised in other comprehensive income	11,044,021	5,047,809
Purchases	780,000	–
Disposals	(778,000)	–
At 31st December, 2009	74,066,951	12,547,809

There have been no transfers into or out of level 3 during the year.

The amount of total gains or losses for the year included in profit or loss and other comprehensive income that are attributable to gains or losses relating to those level 3 financial assets held at the end of reporting period are as follows:

	Group 2009 HK\$	Company 2009 HK\$
Net gains for the year on available-for-sale financial assets held at the end of reporting period recognised in:		
– profit or loss	–	–
– other comprehensive income	10,302,871	5,047,809
	10,302,871	5,047,809



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for the year ended 31st December, 2009

28. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

The directors consider all the financial instruments carried at cost or amortised cost are carried at amounts in the statements of financial position not materially different from their fair values.

29. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Fair value of unlisted equity investments

As described in note 4(g), the directors use their judgement in selecting an appropriate valuation technique for equity investments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied as appropriate.

The fair value of the Group's unlisted equity investments with aggregate carrying amount of HK\$74,066,951 (2008: HK\$63,242,932) as shown in note 15 are estimated based upon an analysis of respective investee's financial position and results, risk profile, nature of business, prospects, other factors and assumptions not supported by observable market data, as well as reference to market valuations for similar entities quoted in an active market, current fair value of comparable investments or applicable price/earning ratios for comparable listed companies adjusted to reflect the circumstance of the investee, as appropriate.

Based on the directors' analysis on each of these unlisted investments, the directors consider it is appropriate to estimate the fair values of majority of these investments based on their net asset value attributable to the Group. The details of estimation of fair values of these investments are set out in note 28(b).

Notes to the Financial Statements

for the year ended 31st December, 2009

29. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(b) Estimated fair value of derivative financial instruments

Determining the fair values of the Group's derivative financial instruments which comprise the conversion option embedded in the Convertible Bonds and the investment in warrants requires estimation on the assumptions used in Binomial model and Trinomial model respectively. Both models require to estimate volatilities of the underlying share price and a suitable discount rate in order to calculate the fair value. As at 31st December, 2009, the fair values of conversion option embedded in the Convertible Bonds and the investment in warrants are HK\$18,137,014 (2008: nil) and HK\$3,185,721 (2008: nil) respectively. Details of the calculation are disclosed in note 19.

The assumptions used in valuation of conversion option embedded in the Convertible Bonds are set out in note 19(a). If there is a reasonable possible change in volatility by increasing 10% and other inputs kept constant, the fair value of the conversion option will increase by HK\$950,000. If there is reasonable possible change in stock price by increasing 10% and other inputs kept constant, the fair value of the conversion option will increase by HK\$2,534,000.

The assumptions used in valuation of the investment in warrants is set out in note 19(b). If there is a reasonable possible change in volatility by increasing 10% and other inputs kept constant, the fair value of the warrants will increase by HK\$80,000. If there is reasonable possible change in stock price by increasing 10% and other inputs kept constant, the fair value of the warrants will increase by HK\$641,000.

(c) Impairment of available-for-sale financial assets

The Group has available-for-sale financial assets which were stated at their fair values at the end of reporting period, on an individual basis. Any gains or losses are recognised as a separate component of equity (i.e. fair value reserve) until the asset is derecognised or until the asset is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss. Management has to assess whether objective evidence of significant impairment exists and consider whether it is appropriate to charge the cumulative loss to profit or loss. In making its judgement, management considers (i) the future prospect of the underlying assets; (ii) the underlying financial position of the assets; and (iii) significant or prolonged decline in the fair values below the respective costs of the assets. Management considers that objective evidence of impairment exists and the cumulative losses of nil (2008: HK\$5,399,014) for the year was charged to profit or loss.



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for the year ended 31st December, 2009

29. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(d) Impairment of loans and receivables made to investees and accounts receivables

Management regularly reviews the recoverability of loans and receivables made to investees and accounts receivable. Appropriate impairment for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the amounts are not recoverable. In determining whether allowances for impairment loss is required, management takes into consideration the aged status and likelihood of collection as well as the financial position of the counterparties. Specific allowance is made for receivables that are unlikely to be collected and is recognised based on the estimation of the present value of the future cash flows expected to be received by the Group discounted at the original effective interest rate. During the year, impairment losses on loans and receivables amounting to HK\$14,729,472 (2008: HK\$38,219,864) and accounts receivable amounting to HK\$18,807,483 (2008: HK\$4,703,792) were recognised in profit or loss.